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Accounting with Variations

Nina Hudson Arnold

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to a logical conclusion. Proficiency in solving the old-fashioned trick problems has an enduring value as many a candidate for civil service examinations can testify.

The ability to compute mentally and rapidly is of prime importance. I know a very successful attorney who, when he came out of college, refused to go into his father's law office because he didn't want to be known as Mr. Jones' son. He decided to get a little business experience before beginning the practice of law and made a connection with a lumber firm. This young business man sold quite a lot of lumber to a Portuguese contractor who could neither read nor write. One day this builder came into the office to settle his account. Recent purchases had been heavy and it took sometime to get the bill ready. The builder called attention to one or two errors and then paid up. The salesman was curious about the way in which the figures were checked because he knew the customer couldn't read and so he asked him. The Portuguese replied that inasmuch as he couldn't read or write, he was dependent entirely on what his mind absorbed whereas the salesman had pencil and paper and an adding machine and, therefore, he of necessity had had to train himself to accuracy, a good memory and rapid calculation. This attorney told me he never forgot that lesson — that he with a college education and all the facilities of the business world at his command had been checked by an illiterate worker. And he began to practice computations in his head, verifying them on paper later. He said it was surprising how quickly his mind responded and, later on in life, the ability to think fast and retain information in his mind was of inestimable value in his court work.

Children lost valuable training when the schools dropped the daily drills in mental arithmetic. Such drills are of far more importance than the mere ability to calculate rapidly. They make for a keen, streamlined mind and a figure sense that will not only mean efficient office routine but a check and balance on much of the pernicious information that is so prevalent today.

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To be energetic and firm where principle demands it, and tolerant in all else, is not easy.

—Mark Hopkins

Accounting With Variations

by NINA HUDSON ARNOLD, C. P. A.

Governmental postal accounting is the acme of simplicity and comprehensiveness. It might be interesting to those who have never had direct contact with Federal work to know how the records of a Third Class Post Office are kept.

The main headings are Surplus Fund and Fixed Credit. The Surplus Fund has to do with money orders. When a money order is written by the postmaster, it is posted in a book kept specially for itemized money orders, and also upon a separate sheet which is submitted at the end of each quarter to a central accounting office. At the end of each day, the details of the money orders and their respective fees are listed and the totals are put into the cash book. (This cash book is recapitulated every two weeks; the subtotal of money orders and fees are columnized. Therefore, in a quarter there are six of such subtotals, the grand total of which is carried to a quarterly account. This in turn is submitted to the central accounting office for that particular post office.) Since this grand total must equal the sum of the itemized totals previously mentioned, you can readily see that there are three checks upon the surplus fund.

Paid money orders are treated as cash in submitting the cash daily to the central accounting offices. Every money order drawn has its record in sequence in the general accounting office in Washington. Every application for a money order, which the individual draws, is filed by the postmaster and must be kept for at least three years.

The registry branch requires all cards which acknowledge the passing of regis-

Mrs. Arnold is a member of the American Institute of Accountants, has received a life membership from the Connecticut C.P.A. Society, and is postmaster of Haddam, Conn. She has specialized in town reports, estate accounting and has done probate indexing for several towns, which covered over twenty volumes of probate records.

tered mail through the next post office to be filed numerically.

C.O.D. coupons, R.F.D. insureds, etc.—all are filed and inspected. In other words, there must be more than one proof of the correctness of entries and disposition of funds and certain classes of mail.

Fixed Credit has to do with stamps, stamped envelopes and postal cards. A record of the daily sales is made and entered in the cash book. At the end of the quarter this total is also carried to the quarterly report and inventory of stock on hand is taken, just as in any other business. The simple rule of opening inventory plus stock requisitioned during the quarter less closing inventory equals the sales for the quarter, and must be identical with the total daily sales.

At the present time, there are other records to be kept—U. S. Bonds being an important item. These are requisitioned in blank from the central accounting office. A daily report of sales is submitted with enclosures of either stamp albums with stamps properly cancelled or with cash, and a receipt is returned which is very similar in appearance to the receipt for the surplus funds. At the end of the month a special form is made out which lists all remittances and is accompanied by abstracts of bonds sold bearing the number thereon and the amount of each bond. An inventory of bonds on hand is made at the end of each month, and this must equal the amount received, less the amount sold.

As corporation books are subjected to a federal audit, so also, are the postal accounts, this audit being made by an inspector. Of course, First and Second class post offices have different types of books to keep, but the general plan is the same. I am not going into detail as to the side issues and the many rules and regulations connected with the postal service, but the above will give, I trust, a general idea of postal accounting.

Trust Accounting

Trust Accounting can be made most complicated, but should be simple enough

for the layman to understand. I have before me a Statement of Account made by a very large Trust Company, serving as a custodian of certain mortgages for my client. This statement is divided into two parts, Corpus and Income. The total of the Corpus is always the same, but the items which make up the Corpus are different. For instance, the initial mortgages were \$8,000, \$10,000 and \$12,000. The last statement rendered showed mortgages (and this includes the name, rate percent, statement of property mortgages, page and volume of record) of \$23,603 and cash \$6,397. This at once tells us that the principal of the mortgage note has been reduced by payment, the cash being left upon deposit with the trustee.

The Income Statement carries forward the balance of income which has accrued and not been withdrawn, plus the interest at their respective rates upon the individual mortgages listed for the various quarters.

Estate Accounting

In estate accounting the simplest and most comprehensive form of record is the cash book, with columns for receipts including deposits, general, interest, rents, probate fees, and sale of stocks. Column for expenses include: funeral expenses, administrative expense, insurance, widow's allowance, repairs, taxes, claims, beneficiaries, general and checks drawn. At all times the balance between the deposits and checks should equal the total of the receipts less the total of the payments; and this should be verified by the stub of the check book plus, of course, any outstanding checks. A petty cash book should be used for small items, such as telephone, postage, typists and other miscellaneous expenses.

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It may be interesting to learn the procedure employed by the Tax Commissioner in order to find the fair value per share of an "unlisted stock."

continued on last page

The Woman C. P. A.

Index — Volume 5

October 1941 to October 1943

continued

MISCELLANEOUS

Accountant, The. By Mabel Jane Hamilton.....	79
Accountants' Job Beckons Women. From the New York Times.....	53
British Women Restless Over Wages. From the Detroit Press.....	80
Chapter News.....	2, 82, 98, 106, 118, 120, 126
Coast-to-Coast.....	20, 22, 30, 31, 38, 39, 50, 62, 70
Convention	8, 60, 68
From the Mailbag	8, 16, 18, 28, 43, 46, 57
Interesting Statistics. By Edith Lott.....	112
Is This the Right Time To Attack Married Women's Separate Property Rights?	
By Robert H. Montgomery, C.P.A.....	59
Men and Women; (a book review). By Pearl Buck.....	113
News from Members	38, 57, 70, 82, 94, 116
Presidents' Column, The.....	1, 9, 21, 29, 37, 49, 61, 69, 81, 93, 105, 117, 125
Scholarship Award—The Los Angeles Chapter.....	31, 112
Women in Accounting. From the Journal of Accountancy.....	46
Women in Business. From the Chicago Tribune.....	115

CHAPTER NEWS

Chicago

A dinner meeting was held in September at the Central Y.M.C.A. The guest speaker was Mr. Thomas H. Wright, Acting Deputy Director of the War Man Power Commission.

Several of the members are planning to attend the National A.S.W.A. Board meeting in New York at the same time the American Institute of Accountants is holding their convention.

Detroit

"Job Supervision" was the subject discussed at the September meeting by Miss Lucille Knight of the Business Administration Department of Wayne University. She dealt with the instruction of office employees and the scientific approach to this problem.

★ ★ ★

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ACCOUNTING WITH VARIATIONS

continued from page 130

Profits for the most recent five years are averaged as follows:

1942 . . .	\$ 26,495
1941 . . .	26,328
1940 . . .	23,586
1939 . . .	22,887
1938 . . .	29,927

Total . . .	\$129,223
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Average . . .	\$ 25,845
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This average is then capitalized at 12½%, amounting in this case to \$206,760. Assuming that the corporation had 1390 shares of stock outstanding, the value per share based on capitalized earnings would be \$148.75. The total book value (capital stock and surplus) amounts to \$223,214, or \$160.50 per share. Adding the capitalized value per share of \$148.75 to the book value per share of \$160.50 and dividing by two, gives a fair average of \$154. Rounding out this amount to \$150 will give the "stipulated inventory per share."